

Realty Trust Review

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INVESTMENT OUTLOOK AND STATISTICAL ISSUE

Investment outlook: Year-end rally may signal moderately bullish year.....	1
Graph of Audit Investment Index.....	2
Computerized Comparative Trust Group averages.....	3
Dividend trends: December declarations stay firm with only one cut.....	3
Comparative Trust Statistics for 131 realty trust shares.....	4&5
Statistics for 33 warrants and 44 convertibles.....	6
Statistics for 35 straight bond issues of trusts.....	3
How to use Comparative Trust Statistics.....	6
<u>REITs, Their Banks & Bondholders</u> : New study indicates asset swaps peaking....	7
Table: REIT Asset Swap Programs by 34 trusts.....	8

INVESTMENT OUTLOOK: STRONG YEAR-END RALLY MAY SIGNAL MODERATELY BULLISH YEAR

REIT share prices have been jumping in recent weeks on the benefits of cheaper money (see RTR, Nov. 26). Right now short-term indicators are still pointing toward lower interest rates: the Federal Reserve Board is moving the keystone federal funds rate lower and last week it cut the reserves banks must keep on hand by $\frac{1}{2}\%$ and $\frac{1}{4}\%$. Two major banks have now gone to a 6% prime rate. Such actions are very bullish because they signal the Fed's expansive policies to get the economy moving ahead faster. And they generate a sense of well-being among investors.

But all good things must come to an end, and we point this out at risk of being a Scrooge at this holiday season. Welcome as these lower rates are, real estate investment is still being inhibited by persistently high inflation rates that have kept long-term interest rates generally above 8%, and commercial mortgage money in the 9% range still. The worrisome fact is that inflation has not dropped much below 5% and this base, along with a 3% "basic" interest for use of money, points to continued high long-term rates. If and when the economy turns upward vigorously again -- and we have little doubt that it will, given the stimulative measures in effect or contemplated by the new Carter Administration -- this means short-term rates are going to ratchet upward, slowly at first but with accelerating speed at some time. We cannot say when, only that it's quite possible to see this sequence during 1977.

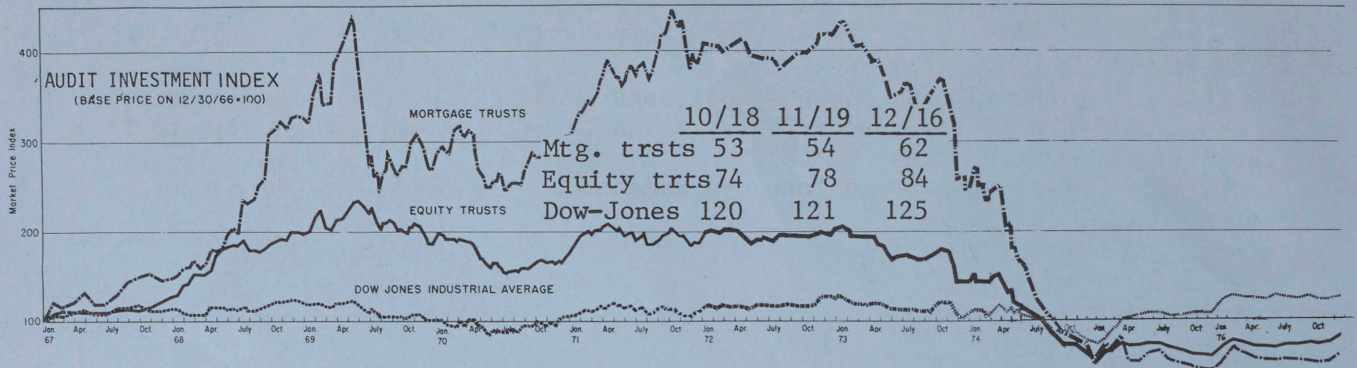
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GROUP RATES ON REQUEST



That means that trusts, mainly the mortgage trusts still paying dividends, now getting benefits from lower rates may have very little mileage left, both in earnings recovery and in market price. Our mortgage trust index advanced 14.4% the past month, strongest monthly showing in many years. Cheap money is one reason, but it may not be a very good reason.

The other worrisome aspect is that some equity trusts with very ordinary portfolios are now selling over depreciated book value. These properties by and large have remained viable in the real estate recession and may very well be worth more than depreciated book value, but their pricing indicates that they too may have very little mileage left on the upside in 1977.

Most investors generally are persuaded that the real estate recession is losing its sting. However that judgment isn't backed by our monthly tally of nonearning investments. Nonearning assets rose slightly in the month and are still very near \$10 billion -- despite the fact that trusts have now swapped over \$1 billion assets to their banks, including a good amount of troubled investments (see pages 7-8). There's disturbing variation among trusts, with many reporting nonearning investments still creeping upward, and only a few going the other way. This is a mixed picture, and interpreting it is further complicated by inclusion of low-earning assets in the total. These are properties whose rental income is sufficient to cover operating costs but does not provide a return high enough to permit the property to carry permanent mortgage financing. So there is recovery in the sense that buildings are being completed and occupied; the cash drain has stopped. But too many buildings are just breaking even with occupancies over 90%; these buildings will need truly major rent increases before they have really recovered, and that day may be some time off. Here's our monthly tally:

Group	Number	---Invested assets---		%	Month %
		Non-earning	Total		
Short-term mortgage.....	59	\$7,259MM	\$9,854MM	74%	+0.7%
Inter. & long-term mtg.	28	1,736	4,113	42	+1.1
Equity & combination...	44	929	3,491	27	-4.2
TOTALS/AVERAGES...	131	\$9,924	\$17,458	57%	+0.3%

TRUST NOTES: LMI Investors has begun a cash tender offer of \$300 for each \$1,000 principal amount of its 6-3/4% senior subordinated debentures due 1982. At least \$12.5 million must be tendered as one condition of a new five-year credit agreement. The offer expires Dec. 28 but extension is likely. The new credit would provide a 2% cash interest payment, with the difference to the prime rate due on maturity; would require the trust to pledge assets equal to the \$102.5 million credit; and require periodic repayments of principal...NJB Prime Investors has extended until April 15, 1977 its cash tender offer to buy all of its 6-3/4% convertible subordinated debentures and 7% subordinated debentures at \$22 per \$100 principal. Only about \$7 million of the two issues remains out following a tender, also at 22, completed Nov. 16. NJB's banks refuse to fund interest payments to remaining debtholders and "the Trust continues to believe that any recovery by debentureholders in bankruptcy proceedings is doubtful and probably would be substantially less than that being provided..."

DIVIDEND TRENDS: DECEMBER DECLARATIONS STAYED FIRM WITH ONLY ONE CUT

Three trusts declared higher quarterlies in December from the prior quarter while only one cut. Thus the firming pattern continues among the healthier minority of trusts. This reflects mostly real improvement in the field but also benefit to some from lower interest rates. United Realty had further profit recovery. Realty & Mortgage Pacific benefitted from a loan prepayment and its current rate may not be sustainable. Hotel Investors cut 3¢ as earnings fell and its loan agreement prevents it from paying cash flow. It hopes to renegotiate this agreement. Wells Fargo Mortgage increased payments with help of year-end cleanup but may be able to sustain the additional amount out of operations. First Cont'l. raised too.

Our tally of declarations

	Up	Same	Down	Total	%Change
Dec.	3	13	1	17	+2%
Year	33	105	17	155	--
-----From previous year-----					
Dec.	7	6	4	17	+6%
Year	44	56	55	155	--

Trust	Record date	Dividend/share-- Latest	Previous	Net change-- Amt.	Percent	Special	Year Ago	% Change
Consol. Cap. Realty	12/17	\$0.1684M	\$0.1684	\$ --	NC	--	\$0.1667	+1
Denver REIA	12/15	0.15	0.15	--	NC	--	0.15	NC
First Cont'l REIT	12/31	0.22	0.20	+0.02	+10	--	0.16	+38
First Fidelity	12/13	--	--	--	--	\$0.07	--	--
Florida Gulf Rlty.	12/6	0.32	0.32	--	NC	--	0.32	NC
Fraser Mtg. Inv.	12/31	0.25	0.25	--	NC	--	0.30	-17
General Growth	12/28	0.35	0.35	--	NC	--	0.33	+6
Gould Investors	3/15	0.10a	--	--	--	--	0.42a	--
Hospital Mtg.	1/14	0.15	0.15	--	NC	--	0.15	NC
Hotel Investors	1/14	0.32	0.35	-0.03	-9	--	0.35	-9
Hubbard REI	12/23	0.30	0.30	--	NC	--	0.30	NC
M&T Mtg. Inv.	12/24	0.26	0.26	--	NC	--	0.26	NC
MONEY Mtg. Inv.	12/31	0.23	0.23	--	NC	--	0.19	+21
MassMutual M&R	12/20	0.27	0.27	--	NC	--	0.28	-4
Mortgage Growth	12/31	0.12	0.12	--	NC	--	0.10	+20
New Plan Realty	12/15	0.075M	0.075	--	NC	--	0.07	+7
Pennsylvania REIT	1/31	0.575S	0.575	--	NC	--	0.575	NC
Rlty.&Mtg. Pacific	12/31	0.29	0.24	+0.05	+20	--	0.30	-3
Riviere Realty	1/10	0.25	0.25	--	NC	--	0.25	NC
United Realty	1/20	0.18	0.16	+0.02	+13	--	0.12	+50
Wells Fargo Mtg.	2/4	0.12	0.12	--	NC	0.08	0.05	+240
Wells Fargo Mtg.	5/6	0.12	0.12	--	NC	--	0.08	+50
TOTALS (17 Trusts)b		\$3.90	\$3.84	\$+0.06	+2%		\$3.69	+6%

a-Year-end dividend; year ago column shows total paid for previous year. b-Excludes monthly, semi-annual and special dividends. NC-No change. M-Monthly. S-Semi-annual. Trusts with dividends reduced from previous quarter underlined.

COMPARATIVE TRUST GROUP AVERAGES 12/20/76

GROUP	SHARE N (000)	BOOK VALUE	ANN DIV*	EARN ANA*	LAST PRICE	% CHG MCN	FROM-- AGO	JAN 1	P/E RATIO	ANN* YIELD	% PR TC BK	RETURN CN BK	MARKET VALUE
EQUITY TRUSTS	20	2042	11.93	0.21	1.03	10.54	6.6	26.9	10.2	7.7	-11.7	8.7	546.1
EQUITY AND MORTGAGE COMBIN	21	1618	10.10	0.27	0.40	5.31	9.0	39.4	13.2	5.1	-47.4	4.0	169.9
SUBORDINATED LAND TRUSTS	3	2689	12.85	0.40	0.61	6.38	12.6	0.0	10.4	6.3	-50.4	4.8	46.9
AVERAGE 3 EQUITY GROUPS	44	1884	11.12	0.53	0.70	7.76	7.7	28.7	11.0	6.8	-30.2	6.3	763.0
SHORT-TERM MTG-INDEPENDENT	16	3620	0.21	0.00	0.00	0.89	22.3	5.7	177.1	0.0	328.1	2.4	27.2
SHORT-TERM MTG-MTG BANKER	17	2075	8.59	0.29	0.25	4.52	14.1	18.2	17.9	6.4	-47.3	2.9	170.5
SHORT-TERM MTG-COMCL BANK	17	2314	3.42	0.03	0.08	2.29	18.8	25.2	28.4	1.2	-33.0	2.4	103.7
SHORT-TERM-MISC FINCL	9	2791	6.77	0.02	0.02	2.35	21.1	15.0	132.2	0.8	-65.3	0.3	48.5
AVERAGE 4 SHORT-TERM GROUPS	59	2672	4.55	0.09	0.10	2.56	17.0	18.2	25.6	3.7	-43.7	2.2	349.9
INTERMEDIATE-TERM MORTGAGES	6	3395	3.68	0.36	0.36	3.84	6.6	41.8	10.7	9.4	4.3	9.8	45.5
LONG-TERM MTG & EQUITIES	22	2925	12.33	0.47	0.47	6.96	11.2	33.0	14.7	6.7	-43.6	3.8	622.6
AVERAGE LONG & INTERMEDIATE	28	3025	10.48	0.44	0.45	6.29	10.5	34.1	14.0	7.1	-40.0	4.3	668.1
OVERALL AVERAGE	131	2483	8.02	0.31	0.38	5.11	10.4	27.5	13.5	6.2	-36.4	4.7	1780.9
DOW-JONES INDUSTRIAL AVERAGE						95.81	979.06	+3.2	+14.9	10.2			

*Latest quarter annualized

STRAIGHT BONDS

Issuer & Desc.	Ex.	Int.	Mat.	Mil.\$	Price	Change	Yield
Alison Mtg.-b	OCx	8.75%	'79	\$25.0	\$23.00	0%	38%
Atico Mtg.-c#	NY	6.75	'82	16.9	55.00	0	12
BT Mtg. Inv.-c	OC	5.75	'82	20.0	40.00	- 9	14
Barnett Mtg.-c#	OC	6.75	'91	17.3	11.00	0	61
Barnett Mtg.-cd	OC	8.50	'98	30.0	17.00	+ 31	50
Barnett-Win.-ce	OC	8.25	'98	30.0	23.00	+ 15	35
Cabot C&F Land-c	NY	8.50	'81	23.0	56.00	+ 1	15
Chase Man. Tr.-a	NY	7.88	'78	50.0	79.00	+ 6	9
Chase Man. Tr.-c	NY	7.50	'83	60.0	56.00	+ 6	3
Cit.&So. Rlty.-c#	OC	6.75	'78	30.0	29.00	- 3	23
Cit. Mtg. Inv.-b	ASx	8.50	'80	20.0	20.00	+ 33	43
Colwell Mtg.-b	NY	8.20	'80	25.0	39.75	+ 17	21
Cont. Ill.RL.-b	NY	7.63	'79	25.0	69.00	0	11
Cousins M&E-c	NY	6.50	'82	30.0	39.00	+ 8	17
First Mtg.-a	OC	6.75	'82	12.6	26.00	+ 4	26
First Mtg.-a	OC	8.25	'77	23.5	52.00	+ 4	16
First Virg.-b	OC	8-12f	'80	20.0	33.00	+ 43	24
Great Amer.Mtg.-b	OC	7.55	'79	25.0	7.00	- 13	100+
Great Amer.Mtg.-c	OC	8.75	'83	25.0	8.00	+ 14	100+
Guardian Mtg.-b	NY	7.50	'79	25.0	40.00	+ 4	19
Guardian Mtg.-c#	AS	6.75	'86	8.6	33.75	+ 21	20
Gulf Mtg.&RL.-c#	AS	7.70	'80	20.0	61.38	+ 6	13
IDS Realty-h	OC	--	--	179.8	25-35	0	NC

STRAIGHT BONDS

Issuer & Desc.	Ex.	Int.	Mat.	Mil.\$	Price	Change	Yield
Instl. Inv.-b	NY	7.88	'80	\$20.0	\$64.38	+ 3%	12%
Justice Mtg.-b	OC	7.75	'79	19.6	22.00	- 4	35
LMI Investors-c	NYx	6.75	'82	25.0	22.00	+ 47	31
Midland Mtg.-b	NY	8.00	'80	18.5	62.13	0	13
Mtg. Inv. Wash.-b	OC	8.50g	'80	15.0	50.00	0	19
NJB Prime Inv.-c#	OC	7.00	'80	12.9	18.00	+ 20	39
No.Amer. Mtg.-c	NY	5.50	'79	27.8	81.25	+ 2	7
New Plan Rlty.-c	OC	8.50	'91	1.0	60.00	0	14
Saul (B.F.)-c	NY	8.50	'80	25.0	81.63	0	10
State Mut. Inv.-b	NYx	9.00	'80	25.0	44.00	- 2	20
Security Mtg.-#	AS	7.25	'82	50.0	74.00	+ 3	10
Security Mtg.-c#	OC	6.00	'82	17.1	50.00	- 11	12
Tri-South Mtg.-b	NY	7.75	'80	25.0	42.50	+ 6	18

Description: a-Senior; b-Senior subordinate; c-Subordinate or junior subordinate. d-Convertible at \$39 till 9/1/78 when price may be adjusted. e-Convertible at \$31 till 12/1/78 when price will be adjusted. f-Variable at 1% over monthly prime.

g-Variable rate at 1% over prime in Oct. and April. h-Five series, A-E: 6-7/8, 7-1/8, 7-3/8, two variable; 1987-94.

x-Suspended by exchange.

#-May be used at par to exercise warrants.

EXCH/ SYMBOL	SHARE (000)	BOOK VALUE	ANN DIV*	EARNINGS MCN	ANN*	LAST PRICE	-% CHNG MCN AGC	FROM-- JAN 1	P/E RATIO	ANN* YIELD	% PR TO BK	RET CN BK	MKT VA (MIL\$)
EQUITY TRUSTS													
API TRUST #	O-API	1012	11.89	0.40	SEP	1.24↑	3.75	7.1	-25.0	3.0	10.7	-68.5	3.8
C I REALTY #	N-CIX	2609	16.65	0.00	AUG	0.40	4.50	20.0	63.6	11.3	0.0	-73.0	11.7
CITIZENS GR*	O-CITG	811	10.12	0.00	JUL	0.00	0.75	19.0	-25.0	0.0	0.0	-92.6	0.6
CON ILL PRO#	N-CIE	4808	21.30	1.28	JUL	1.40	16.63	7.3	68.3	11.9	7.7	-21.9	80.0
CONSC CAP F#	O-CCPL	1989	21.24	2.02	←AUG	2.32	23.50X	0.7	-6.0	10.1	8.6	10.6	46.7
DENVER REI #	O-DENVS	1091	8.78	0.60	←SEP	0.80	6.75X	-1.4	1.8	8.4	8.9	-23.1	7.4
FEDERAL RLTY	A-FRT	1276	9.74	1.24	SEP	0.72	12.63X	1.5	14.8	17.5	9.8	29.7	16.1
FIRST UNION#	N-FUR	3991	8.52	1.00	JUL	1.12	12.00	2.1	21.5	10.7	8.3	40.8	47.9
FLORIDA GLF#	O-FGLFS	975	15.86	1.28	←CCT	1.28	11.25X	2.8	18.4	8.8	11.4	-29.1	11.0
FST FIDELTY#	O-FFITS	866	10.69	0.14	↑AUG	0.04	3.13X	21.7	25.2	78.2	4.5	-70.7	2.7
GENERAL GRO#	N-GGP	6202	6.52	1.40	←SEP	1.52	23.13	19.3	48.0	15.2	6.1	254.8	143.5
GOULD INVST#	A-GTR	1179	6.67	0.10	↑JUN	1.65	3.13	13.8	4.3	1.9	3.2	-53.1	3.7
GREIT RLY#	A-GRT	998	10.98	0.40	JUL	1.16	6.00	4.3	29.6	5.2	6.7	-45.4	6.0
HUBBARD REI	N-HRE	4004	21.87	1.20	←CCT	1.48	15.75X	7.9	41.5	10.6	7.6	-28.0	63.1
NEW PLAN RL	O-NPLNS	1331	2.34	0.90	←APR	0.88	10.00X	18.5	73.9	11.4	9.0	327.4	13.3
PENN REIT #	A-PEI	1516	11.74	1.15	←AUG	1.56	13.88	9.9	42.4	8.9	8.3	18.2	21.0
REIT OF AMER	A-REI	1633	21.13	1.40	AUG	0.97	16.13	-1.5	4.9	16.6	8.7	-23.7	26.3
SUMMIT PROP#	O-SMMTS	1554	7.35	0.00	JUL	0.21	2.50	25.0	42.9	11.9	0.0	-66.0	3.9
WASH REIT #	A-WRE	1473	10.62	1.76	JUN	1.92	23.88X	4.0	61.9	12.4	7.4	124.9	35.2
WISC REI FD#	C-WREIS	1514	4.58	0.00	SEP	0.02	1.50	-8.0	20.0	75.0	0.0	-67.2	2.3
GROUP AVERAGE		2042	11.93	0.81		1.03	10.54	6.6	26.9	10.2	7.7	-11.7	546.1

EQUITY AND MORTGAGE COMBINATION TRUSTS													
AMER REALTY	A-ARB	2222	3.02	0.00	JUN	0.00	0.50	0.0	-55.8	0.0	0.0	-83.4	1.1
BANKAM RLTY	O-BRLTS	3547	14.71	0.40	CCT	0.84	8.88X	8.8	48.0	10.6	4.5	-39.6	31.5
BRT RLTY TR	A-BRT	1400	5.80	0.00	AUG	0.00	0.81	28.6	62.0	0.0	0.0	-86.0	1.1
FLATLEY RLT	O-FLTL	1000	6.54	0.00	SEP	0.16	3.25	85.7	225.0	20.3	0.0	-50.3	3.3
FRANKLIN RLY	A-FR	999	7.68	0.00	SEP	0.00	2.75	-18.6	68.7	0.0	0.0	-64.2	2.7
HOTEL INVSTR	A-HOT	1545	18.12	1.28	↓NCV	1.28	13.75	3.8	23.5	10.7	9.3	-24.1	21.2
INDIANA M&R#	O-INDMS	1154	12.28	0.00	SEP	0.00	2.50	100.0	25.0	0.0	0.0	-79.6	2.9
INVESTOR RL#	A-IRT	1579	10.62	0.00	AUG	0.04	4.25	35.8	2.9	106.3	0.0	-60.0	6.7
JMB REALTY#	C-JMBRS	510	18.16	1.60	MAY	1.44	13.25	0.0	32.5	9.2	12.1	-27.0	6.8
LINCOLN MTG*	O-LNMG	1155	1.80	0.00	SEP	0.00	0.31	24.0	24.0	0.0	0.0	-82.8	0.4
MILLER HEN S	O-HSMTS	560	16.78	0.00	ALG	0.05	7.50	11.1	57.9	150.0	0.0	-55.3	4.2
NJB PRIME	O-NJB	1280	-0.34	0.00	ALG	0.00	0.16	23.1	23.1	0.0	0.0	NEG.	0.2
PLAZA REALTY	O-PNE	1114	4.27	0.00	JUN	0.00	1.00	13.6	-11.5	0.0	0.0	-76.6	1.1
RIVIERE RLY#	O-RIVIE	783	8.13	1.00	←JUN	1.12	8.50	0.0	0.0	7.6	11.8	4.6	6.7
RLTY INCOME	A-RIT	1565	13.50	1.40	CCT	2.27	10.50X	-4.7	82.6	4.6	13.3	-22.2	16.4
SAN FRAN RE#	A-SFI	1348	19.95	0.00	SEP	0.34	10.13	11.0	199.7	29.8	0.0	-49.2	13.7
SAUL (EF)RFI	N-BFS	5658	7.88	0.00	JUN	0.00	4.38	39.9	29.6	0.0	0.0	-44.4	24.8
US BANCORP #	A-UBT	840	16.76	0.00	AUG	0.00	7.13	14.1	24.0	0.0	0.0	-57.5	6.0
US REALTY #	N-UTY	3434	4.20	0.00	SEP	0.00	2.25	28.6	12.5	0.0	0.0	-46.4	7.7
VIRGINIA RE#	O-VARES	1251	10.02	0.00	SEP	0.88	6.50	8.3	85.7	7.4	0.0	-35.1	8.8
WALTER RLTY#	O-WALJS	1035	12.28	0.00	CCT	0.00	3.25	0.0	-18.8	0.0	0.0	-73.5	3.4
GROUP AVERAGE		1618	10.10	0.27		0.40	5.31	9.0	39.4	13.2	5.1	-47.4	169.9

SUBORDINATED LAND TRUSTS													
CABCT LAND	N-CFT	2992	7.32	0.00	AUG	0.00	2.00	-20.0	-20.0	0.0	0.0	-72.7	6.0
ICM REALTY	A-ICM	3011	17.57	0.00	AUG	0.64	5.88	51.5	-29.8	9.2	0.0	-66.5	17.7
PROPERTY CAP	A-PCL	2065	13.67	1.20	CCT	1.20	11.25X	6.2	36.4	9.4	10.7	-17.7	23.2
GROUP AVERAGE		2689	12.85	0.40		0.61	6.38	12.6	0.0	10.4	6.3	-50.4	46.9

SHORT-TERM MTG-MTG BANKER													
ATICO MTG IN	N-ACO	2706	7.66	0.00	JUL	0.13	2.25	28.6	50.0	17.3	0.0	-70.6	6.1
BAIRD & WARN	C-BAIDS	1043	17.62	0.96	→CCT	0.13	6.50	-2.0	10.5	50.0	14.8	-63.1	6.8
BARNES MTG	O-BARN	1910	14.29	0.00	SEP	0.00	2.25	99.1	0.0	0.0	0.0	-84.3	4.3
CENTRAL MTG	O-CMRTS	775	13.26	0.00	SEP	0.00	3.00	50.0	-4.2	0.0	0.0	-77.4	2.3
COLWELL MTG	N-CLM	2030	1.55	0.00	SEP	0.00	1.63	30.4	-6.9	0.0	0.0	5.2	3.3
FIRST CONTL	O-FCRES	2106	10.26	0.88	↑NCV	0.88	8.25	10.0	65.0	9.4	10.7	-19.6	17.4
FRASER MTG I	O-FRASS	1038	16.41	1.00	←AUG	1.00	10.00	17.6	21.2	10.0	10.0	-39.1	10.4
GUARDIAN MI	N-GMI	3000	-11.91	0.00	AUG	0.00	1.38	10.4	-15.3	0.0	0.0	NEG.	4.1
HEITMAN MTG	A-HTM	3292	3.76	0.00	SEP	0.16	1.63	30.4	63.0	10.2	0.0	-56.6	5.4
JUSTICE MTG	N-JMI	1184	3.94	0.00	JUN	0.00	2.13	21.7	30.7	0.0	0.0	-45.9	2.5
KMC MTG IN	O-KMTGS	1100	4.28	0.00	AUG	0.00	0.75	476.9	0.0	0.0	0.0	-82.5	0.8
LOMAS & NTLN	N-LCM	3700	31.61	0.84	→SEP	0.84	14.50	6.4	-0.9	17.3	5.8	-54.1	53.6
M&T MTG INV	O-MTMIS	1482	10.24	1.04	←NCV	1.12	9.75	13.0	52.8	8.7	10.7	-4.8	14.4
MIDLAND MTG	N-MMT	2382	1.92	0.00	SEP	0.00	1.38	10.4	0.0	0.0	0.0	-28.1	3.3
NO AMER MTG	N-NAM	4403	12.58	0.20	→SEP	0.00	4.50	12.5	-18.2	0.0	4.4	-64.2	19.8
SUTRO MTG IN	N-SUT	2322	14.98	0.00	SEP	0.04	6.75	5.8	63.4	168.8	0.0	-54.9	15.7
TMC MTG INV	O-TMG	800	-6.42	0.00	SEP	0.00	0.25	-34.2	0.0	0.0	0.0	NEG.	0.2
GROUP AVERAGE		2075	8.59	0.29		0.25	4.52	14.1	18.2	17.9	6.4	-47.3	170.5

#NET CASH FLOW, SEE PAGE 6. *GROSS CASH FLOW. NEG.-NEGATIVE BOOK VALUE. VJ-IN BANKRUPTCY REORGANIZATION.
ARROWS DENOTE NEW EARNINGS OR DIVIDEND REPORTS AND DIRECTION. ZEROES INDICATE LOSS OR NO EARNINGS FOR QUARTER SHOWN.

	EXCH/ SYMBOL	SHARE (000)	BOOK VALUE	ANN DIV*	EARNINGS MCN ANN*	LAST PRICE	% CHNG MCN AGC	FROM-- JAN 1	P/E RATIO	ANN* YIELD	% PR TO EK	RET CN EK	MKT VA (MIL\$)	
SHORT-TERM MTG-INDEPENDENT														
BUILDERS INV	O-BULDS	2929	-0.39	0.00	JUN	0.00	0.25	0.0	0.0	0.0	NEG.	0.0	0.7	
CAPITAL MI	N-CMU	1675	1.58	0.00	SEP	0.00	1.25	33.0	25.0	0.0	-20.9	0.0	2.1	
CONTINL MTG	O-CMI	20838	-4.34	0.00	JUN	0.00	0.02	-60.0	-93.3	0.0	0.0	0.0	0.4	
DOMINION M&R	O-DMRTS	639	-4.76	0.00	MAY	0.00	0.06	-53.8	-84.2	0.0	0.0	0.0	0.0	
FIDELITY MI	O-FID	3046	-17.46	0.00	JUL	0.08	0.13	62.5	333.3	1.6	0.0	0.0	0.4	
FIRST MTG IN	O-FMTGS	8495	-6.90	0.00	JUL	0.00	0.19	-24.0	-24.0	0.0	0.0	0.0	1.6	
GRT AMER MI	O-GAA	4456	-11.78	0.00	JUL	0.00	0.18	-28.0	-28.0	0.0	0.0	0.0	0.8	
HAMILTON INV	O-HAMTS	2095	6.25	0.00	SEP	0.00	1.00	13.6	13.6	0.0	-84.0	0.0	2.1	
MISSION INV	A-MIT	1812	5.58	0.00	AUG	0.00	1.88	36.2	150.7	0.0	-66.3	0.0	3.4	
MTG INV WASH	O-MINVS	2146	7.39	0.00	SEP	0.00	2.13	21.7	-46.8	0.0	-71.2	0.0	4.6	
NATIONAL MTG	O-NMF	2353	0.10	0.00	AUG	0.00	0.13	0.0	116.7	0.0	30.0	0.0	0.3	
REPUBLIC MI	N-RMI	2107	6.24	0.00	SEP	0.00	1.63	44.2	44.2	0.0	-73.9	0.0	3.4	
TEXAS 1ST MT	O-TFMRS	1055	7.04	0.00	SEP	0.00	2.00	33.3	100.0	0.0	-71.6	0.0	2.1	
TIERCC	O-GSR	1161	3.81	0.00	SEP	0.00	0.31	0.0	-38.0	0.0	-91.9	0.0	0.4	
UMET TRUST	N-UAT	2109	4.16	0.00	ALG	0.00	1.63	30.4	8.7	0.0	-60.8	0.0	3.4	
WESTERN MI	O-WMTGS	1002	6.79	0.00	ALG	0.00	1.38	5.3	22.1	0.0	-79.7	0.0	1.4	
GROUP AVERAGE		3620	0.21	0.00		0.00	0.89	22.3	5.7	177.1	0.0	328.1	27.2	
SHORT-TERM MTG-COMCL BANK														
AMER FLETCHER	A-AFM	1352	4.81	0.00	OCT	0.00	1.88	66.4	-11.7	0.0	-60.9	0.0	2.5	
BARNETT MTG	O-BMT	2174	-6.85	0.00	SEP	0.00	0.28	12.0	115.4	0.0	NEG.	0.0	0.6	
CAMERON-BROWN	N-CE	2016	9.94	0.00	SEP	0.00	1.50	20.0	20.0	0.0	-84.9	0.0	3.0	
CHASE MAN MT	N-CMR	4886	-12.49	0.00	AUG	0.85	3.13	39.1	4.3	3.7	NEG.	-6.8	15.3	
CITINATL DEV	O-CITIE	600	13.31	0.00	SEP	0.00	3.00	-20.0	129.0	0.0	-77.5	0.0	1.8	
CITIZENS MI	O-CZM	1421	-11.32	0.00	SEP	0.00	0.20	53.8	-84.0	0.0	NEG.	0.0	0.3	
CITIZENS&SO RL	N-CZS	3829	0.67	0.00	JUN	0.00	1.88	36.2	7.4	0.0	180.6	0.0	7.2	
CONT ILL RLY	N-CIR	2797	0.33	0.00	SEP	0.00	2.25	63.0	50.0	0.0	581.8	0.0	6.3	
FST COMMERCE	O-FCRMS	1008	15.18	0.00	SEP	0.00	4.75	5.6	18.8	0.0	-68.7	0.0	4.8	
FST DENVR MT	O-FDENS	1621	-3.88	0.00	JUN	0.00	0.75	200.0	-45.7	0.0	NEG.	0.0	1.2	
FST PENN MT	N-FPM	2961	8.04	0.00	CCT	0.00	2.50	53.4	17.4	0.0	-68.9	0.0	7.4	
FST WISCON MT	O-FWM	1910	5.23	0.00	SEP	0.00	0.75	0.0	19.0	0.0	-85.7	0.0	1.4	
INDEPEND MTG	O-INTGS	2500	-3.89	0.00	SEP	0.00	0.31	24.0	-38.0	0.0	NEG.	0.0	0.8	
MARYLAND RLY	O-MDRTS	760	7.91	0.00	ALG	0.08	2.00	6.4	44.9	25.0	-74.7	1.0	1.5	
TRI-SOUTH MI	N-TSI	2260	2.26	0.00	SEP	0.00	1.38	22.1	176.0	0.0	-38.9	0.0	3.1	
WACHOVIA RLY	N-WRI	3335	11.60	0.00	NCV	0.00	3.50	16.7	27.3	0.0	-69.8	0.0	11.7	
WELLS FAR MI	N-WFM	3911	17.25	0.48	SEP	0.44	8.88	12.7	61.5	20.2	-48.5	2.6	34.7	
GROUP AVERAGE		2314	3.42	0.03		0.08	2.29	18.8	25.2	28.4	1.2	-33.0	103.7	
SHORT-TERM-MISC FINCL														
AMER CENTURY	N-ACT	2607	6.05	0.00	SEP	0.00	1.63	18.1	44.2	0.0	-73.1	0.0	4.2	
BENEF STD MI	N-ESM	1355	3.44	0.00	JUL	0.00	1.88	25.3	-6.0	0.0	-45.3	0.0	2.5	
CI MTG GROUP	N-CI	4812	0.49	0.00	JUL	0.00	1.13	20.2	13.0	0.0	130.6	0.0	5.4	
HANOVER SQ R	A-HSQ	946	10.99	0.00	NCV	0.00	4.00	18.3	38.9	0.0	-63.6	0.0	3.8	
IDS RLY TR	N-IDR	2409	-4.02	0.00	JUL	0.00	1.88	15.3	-37.3	0.0	NEG.	0.0	4.5	
INSTITUTNAL	N-INV	6074	7.53	0.00	JUL	0.00	1.38	22.1	0.0	0.0	-81.7	0.0	8.4	
LMI INVSTORS	O-LWN	2009	-0.77	0.00	SEP	0.00	0.38	192.3	-56.8	0.0	NEG.	0.0	0.8	
MTG TRUST AM	N-MT	3860	12.49	0.00	AUG	0.00	3.38	17.4	17.4	0.0	-72.9	0.0	13.0	
NATIONWID RE	O-NRELS	1047	24.76	0.16	SEP	0.16	5.50	22.2	69.2	34.4	-77.8	0.6	5.8	
GROUP AVERAGE		2791	6.77	0.02		0.02	2.35	21.1	15.0	132.2	0.8	-65.3	48.5	
INTERMEDIATE-TERM MORTGAGES														
ALISON MTG I	O-AMV	2339	-14.64	0.00	JUL	0.00	0.19	0.0	-69.8	0.0	NEG.	0.0	0.4	
BARNETT-WINST	O-BWITS	1663	2.34	0.00	SEP	0.00	0.25	0.0	-71.6	0.0	-89.3	0.0	0.4	
DIVERSIFD MI	N-DMG	7327	6.95	0.00	SEP	0.00	1.50	70.5	32.7	0.0	-78.4	0.0	11.0	
FST VIRGINIA	O-FVM	1208	2.55	0.00	SEP	0.00	0.38	-13.6	-39.7	0.0	-85.1	0.0	0.5	
RLTY REFUND	A-RRF	1045	18.45	2.16	CCT	2.16	18.75x	3.5	53.1	8.7	11.5	1.6	19.6	
SECURITY MT	A-SMC	6787	6.46	0.00	SEP	0.00	2.00	14.3	166.7	0.0	-69.0	0.0	13.6	
GROUP AVERAGE		3395	3.68	0.36		0.36	3.84	6.6	41.8	10.7	9.4	4.3	45.5	
LONG-TERM MTG & EQUITIES														
ATLANTA NATL	O-ATNAS	1260	10.97	0.00	AUG	0.00	1.63	44.2	30.4	0.0	-85.1	0.0	2.1	
BT MTG INVTN	N-BTM	2116	0.12	0.00	SEP	0.00	2.50	81.2	17.4	0.0	0.0	1983.3	0.0	5.3
CLEVELERTST RL	C-CTRIS	2525	10.88	0.00	JUN	0.00	2.50	11.1	42.9	0.0	-77.0	0.0	6.3	
CON GEN M&R#	N-CGM	5715	19.41	1.60	SEP	1.44	18.63	5.0	36.7	12.9	-4.0	7.4	106.5	
COUSINS M&EQ	N-CUZ	3854	1.51	0.00	AUG	0.00	1.75	40.0	40.0	0.0	15.9	0.0	6.7	
EQUIT LF MTG	N-EG	5597	23.62	2.00	CCT	2.20	26.13	10.0	47.2	11.9	7.7	10.6	9.3	146.2
FIDELCO GROW	A-FGI	1580	14.79	0.00	ALG	0.00	2.25	28.6	-43.8	0.0	-84.8	0.0	3.6	
FST MEMPHIS	O-FMMS	1156	6.76	0.00	AUG	0.00	1.50	0.0	-20.2	0.0	-77.8	0.0	1.7	
GULF MTG&RLY	N-GMR	2210	6.40	0.00	AUG	0.00	2.13	42.0	54.3	0.0	-66.7	0.0	4.7	
HNC MTG&RLY	O-HNCMS	2388	4.21	0.00	CCT	0.00	0.63	0.0	-44.2	0.0	-85.0	0.0	1.5	
HOSPITAL MTG	A-HMG	1178	22.84	0.60	NCV	0.80	6.38	16.0	11.0	8.0	9.4	-72.1	3.5	7.5
MASSMUT MTG	N-MML	4670	19.39	1.08	OCT	1.08	14.00	5.7	40.0	13.0	7.7	-27.8	5.6	65.4
MCNY MTG INV	N-MYM	8825	10.03	0.92	NCV	0.76	11.38	1.2	54.2	15.0	8.1	13.5	7.6	100.4
MTG GROWTH I	A-MTG	2652	10.99	0.48	ALG	0.34	6.00	20.0	60.0	17.6	8.0	-45.4	3.1	15.9
NOWSTRN FINC	O-NFINS	1510	14.64	0.00	SEP	0.00	2.75	15.5	4.6	0.0	-81.2	0.0	4.2	
NOWSTRN MUTL	N-NML	4758	19.09	1.00	SEP	0.76	13.25	11.5	30.8	17.4	7.5	-30.6	4.0	63.0
OLD STONE M#	O-OSMRS	813	9.56	0.00	SEP	0.00	6.50	6.0	62.5	0.0	-32.0	0.0	5.3	
PACIFIC STHN	O-PSMRS	814	11.83	0.31	SEP	0.64	5.63x	5.3	45.1	8.8	5.5	-52.4	5.4	4.6
PNE MTG& RL#	N-PNI	2437	18.46	0.40	SEP	0.40	9.00x	30.0	46.8	22.5	4.4	-51.2	2.2	21.9
RAM PACIFIC	O-RPACS	1890	18.00	1.16	NCV	1.28	9.63	8.4	24.3	7.5	12.0	-46.5	7.1	18.2
STATE MUTUAL	N-SMU	2786	0.13	0.00	SEP	0.00	0.63	-49.6	-64.0	0.0	0.0	384.6	0.0	1.8
UNITED RLY	A-URT	3610	17.57	0.72	NCV	0.68	8.25	17.9	43.5	12.1	8.7	-53.0	3.9	29.8
GROUP AVERAGE		2925	12.33	0.47		0.47	6.96	11.2	33.0	14.7	6.7	-43.6	3.8	622.6

HOW TO USE COMPARATIVE TRUST STATISTICS

These data are designed to facilitate comparison of relative efficiency of real estate investment trust managements with available funds. Readers should note that historical data are used and thus no earnings or dividend projections or estimates are included. Investors are advised to consider carefully the following distinctive characteristics of REITs compared with other industrial or financial securities:

Annualized Dividend and Yield: Most REITs do not pay a posted quarterly dividend rate but instead pay their approximate earnings (or net cash flow, if appropriate) for the quarter. They follow this practice because REITs are required to pay at least 90% of earnings to shareholders in order to qualify for exemption from Federal income taxes. This practice means that dividends paid by most REITs will vary much more from quarter to quarter than industrial securities. This possibility for quarterly variations gives REIT shares higher risk because earnings do not provide a safety margin of coverage for the dividend as they do for industrial stocks. The outlook and stability of dividends are thus key factors in our RELATIVE APPEAL RANKINGS. The "Annualized Dividend" column is the latest quarterly payout annualized by multiplying by four, and adjusted for any capital gains or other special dividend payments. Special dividends, marked "S", are paid to maintain tax exemption but are not expected to be continued in subsequent quarters. Because of these possible variations, annualized dividends and yield are not to be considered in any way as posted or guaranteed yields.

Annualized Earnings and Price/Earnings Ratio: For mortgage trusts, latest quarter earnings are multiplied by four. Zeroes indicate losses or no earnings for the quarter indicated. Losses per share are shown in RELATIVE APPEAL RANKINGS. For equity trusts, annualized net cash flow as calculated by Audit Investment Research, Inc. is used in place of earnings as the best single measure of results. Net cash flow is defined as net income plus depreciation minus mortgage amortization. The symbol "#" indicates cash flow in the earnings column. For a few trusts, gross cash flow (i.e., net income plus depreciation) is used, denoted by "*". Cash flow derived from amortization of debt discount is denoted by "@". The price/earnings ratio relates current price to the most appropriate earnings result. Both earnings (EPS) and net cash flow (CFS) per share for equity trusts for current periods are shown in RELATIVE APPEAL RANKINGS, and in the quarterly REIT PERFORMANCE RECORD issue.

Shares: The number of shares outstanding, in thousands, is the number issued as of the latest balance sheet and is not adjusted for any potential conversion of debentures or exercise of warrants. Book value per share is essentially net tangible worth per share. The number does not reflect any changes in asset values through appreciation or abnormal depreciation of assets, nor any potential increase from possible conversion of debentures. Realized and estimated investment losses, as determined by management's provision for possible losses, are deducted from book value under AICPA rules. Audit also deducts intangible debt discount and expense costs from book value.

Trusts are grouped into nine categories under three major groupings to facilitate comparison. The category used for each trust is shown in RELATIVE APPEAL RANKINGS. **Equity and combination** groups include **Equity** trusts with over 80% of invested assets in direct ownership of completed income producing properties; **Equity & Mortgage combination** which balance investments between equity ownership and mortgages; and **Subordinated Land** trusts, investing primarily in ownership of land beneath income producing properties and leased to building operators.

Short-term mortgage groups invest primarily in mortgages under three years maturity, mainly construction, land development and other interim loans. They are grouped by sponsorship as follows: **Mortgage banker; Independent; Commercial bank; and Miscellaneous financial institutions.**

Intermediate & long-term mortgage groups are classed as intermediate-term for those whose predominant holdings mature in three to 10 years; and **long-term** for those with loans maturing in over 10 years, and generally with some equity investments.

CONVERTIBLE DEBENTURES

DEBENTURE	EX	MAT	INT (%)	CONV AT	RECENT PRICE	YIELD (%)	% CHNG
ALISON MTG	CC	'91	6.75	27.50	25.50	26.5	0.0
AMER CENTURY	AS	'90	7.00	21.00	55.25	12.7	0.0
AMER CENTURY	NY	'91	6.75	28.00	52.00	13.0	-3.7
AMER REALTY	CC	'84	7.00	10.40	28.00	25.0	0.0
BAIRD & WARNER	CC	'91	6.75	21.00	64.00	10.5	1.6
BANKAMERICA	CC	'90	6.75	21.00	76.00	8.9	5.6
BENEF STD MI	AS	'91	6.50	27.75	43.50	14.9	3.6
CAPITAL MTG	CC	'91	6.50	33.00	36.00	18.1	2.9
CHASE MANHATTAN	NY	'96	6.50	55.00	43.50	14.9	4.8
COLWELL MTG	CC	'91	6.50	29.38	25.00	26.0	-16.7
CONN GENERAL	NY	'96	6.00	32.50	74.25	8.1	2.4
CONANT MTG	CC	'90	6.25	19.79	3.00	VJ	20.0
EQUITEL LF	NY	'90	6.75	26.25	90.38	7.5	4.9
FIDELITY MI	CC	'85	7.75	21.25	7.00	VJ	-5.7
FIRST PENN	CC	'91	6.75	26.00	44.00	15.3	0.0
FIRST UNION	NY	'91	7.00	13.00	90.00	7.8	2.3
FRANKLIN RLY	AS	'89	7.00	10.00	69.00	10.1	0.0
GRT AMER MI	CC	'91	7.00	35.50	5.00	140.0	-16.7
HANOVER SC R	AS	'92	7.25	21.00	67.00	10.8	3.5
HEITMAN MTG	AS	'92	7.50	14.70	60.00	12.5	7.1
HNC MTG	CC	'91	6.75	21.00	42.00	16.1	0.0
HOTEL INVSTR	CC	'90	7.75	21.00	74.00	10.5	5.7
HOTEL INVSTR	CC	'91	7.50	25.25	65.00	10.9	1.5
LINCOLN MTG	CC	'90	8.00	11.00	40.00	20.0	0.0
MASSMUTL MTG	NY	'90	6.75	21.00	80.50	8.4	2.4
MASSMUTUAL	NY	'91	6.25	33.50	77.50	8.1	3.3
MIDLAND MTG	CC	'86	7.00	16.67	38.00	18.4	-7.3
MONEY MTG	NY	'90	7.00	11.00	100.00	7.0	0.5
MTG INV WASH	CC	'90	8.00	15.00	50.00	16.0	0.0
NATIONAL MTG	CC	'91	7.00	12.00	7.00	100.0	16.7
NJR PRIME	CC	'91	6.75	21.00	18.00	37.5	50.0
NOWSTRN MUTL	NY	'91	6.00	21.00	76.00	7.9	1.7
OLD STONE MT	CC	'87	6.88	15.00	70.00	9.8	4.5
RAM PACIFIC	CC	'91	6.75	21.00	65.00	9.8	3.0
REALTY INCOM	AS	'91	8.00	18.00	83.50	9.6	0.4
REPUBLIC MI	NY	'90	9.00	19.00	74.88	12.0	-5.2
SAUL (RF) RL	CC	'91	6.50	23.00	52.00	12.5	-4.1
SAUL (RF) REI	CC	'90	8.00	15.50	62.00	12.9	-1.6
STATE MUTUAL	AS	'91	6.75	21.00	40.00	16.9	0.0
SUTRC MIT	NY	'82	6.75	20.00	83.25	8.1	5.9
SUTRC MTG	AS	'91	6.75	20.00	69.00	9.8	4.5
TRI-SOUTH MI	NY	'92	7.00	29.50	34.00	20.6	13.3
US BANCORP	AS	'92	7.00	26.25	71.00	9.9	1.4
US REALTY IN	NY	'89	5.75	20.20	51.25	11.2	2.5

VJ-IN BANKRUPTCY REORGANIZATION

WARRANTS

NAME	EXCH/ SYMCL	EXP DATE	OUT (000)	EXER PRICE	NO. SH.	WTS PRICE	STK PRICE	CONV PREM	% CHG	MKT VA (MIL\$)
AMER CENTURY	A-ACTW	6/78	897	23.00	1.0	0.06	1.63	1314.7	0.0	0.1
ATICO MTG	A-ACOW	12/79	563	15.00	1.0	0.44	2.25	586.2	41.9	0.2
BARNES MTG	C-BARKW	12/77	1910	20.00	1.0	0.13	2.25	794.7	0.0	0.2
BARNITT-WINST	C-BWITW	7/77	1657	20.00	1.0	0.01	0.25	7904.0	-66.7	0.0
BENEF STD MT	A-BSMW	7/80	554	20.00	1.0	0.13	1.88	970.7	-48.0	0.1
HRT RLY TR	A-BRTW	11/77	1400	10.00	1.0	0.03	0.81	1138.3	0.0	0.0
CAPITAL MTG	C-CMCRW	11/79	471	20.00	1.0	0.01	1.25	1500.8	0.0	0.0
CENTRAL MTG	O-CMTW	3/77	775	20.00	1.0	0.13	3.00	571.0	0.0	0.1
COLWELL MTG	A-CLMW	12/77	225	20.00	1.0	0.06	1.63	1130.7	0.0	0.0
DENVER REIA	C-DENV5	5/77	177	11.00	1.0	0.04	6.75	63.6	-69.2	0.0
FEDERAL RLT	C-FDLRW	12/76	98	10.00	1.0	2.25	12.63	-3.0	-25.0	0.2
FIR MEMPHIS	C-FFMFW	2/78	1124	20.00	1.0	0.03	1.50	1235.3	0.0	0.0
FIRST UNION	C-FUREW	12/77	600	12.75	1.0	0.56	12.00	10.9	47.4	0.3
GUARDIAN MI*	A-GMIW	7/79	241	36.00	1.0	0.06	1.38	2513.0	0.0	0.0
GULF MTG&RL*	A-GMRW	3/77	2210	20.00	1.0	0.03	2.13	840.4	0.0	0.1
HOSPITAL MTG	A-HVGRW	2/78	1178	25.00	1.0	0.09	6.38	293.3	50.0	0.1
JMB REALTY	C-JMBRW	8/77	510	20.00	1.0	0.25	13.25	52.8	0.0	0.1
M&T MTG INV	C-MTIZ	8/80	747	13.00	1.0	0.25	9.75	35.9	0.0	0.2
MISSION INV	A-MITW	3/77	604	16.50	1.0	0.03	1.88	779.3	0.0	0.0
MTG INV WASH	C-MINW	3/80	931	15.00	1.0	0.06	2.13	607.0	0.0	0.1
NATIONWID RE	C-NRELW	1/81	652	32.00	1.0	0.05	5.50	482.7	-61.5	0.0
NORTH AM MTG	A-NAMW	3/79	710	31.13	1.0	0.38	4.50	600.2	52.0	0.3
NOWSTRN FINC	C-NFINW	11/77	1510	18.06	1.1	0.03	2.75	557.7	0.0	0.0
PLAZA REALTY	C-PNEW	11/77	1113	18.50	1.0	0.13	1.00	1763.0	0.0	0.1
PNB MTG&RLTY	A-PNLTW	12/77	1220	20.00	1.0	0.31	9.00	125.7	138.5	0.4
REPUBLIC MI	A-RMTW	6/79	1064	20.00	1.0	0.13	1.63	1135.0	0.0	0.1
RLTY REFUND	C-RREFW	6/77	1013	20.00	1.0	0.88	18.75	11.4	76.0	0.9
SAN FRAN REI	A-SFTW	12/80	1348	25.00	1.0	0.44	10.13	151.1	-12.0	0.6
SECURITY MT*	A-SMOW	5/79	3117	16.00	1.0	0.16	2.00	708.0	23.1	0.5
SUTRC MIT(B)	A-SUTW	6/77	700	20.00	1.0	0.50	6.75	203.7	-10.7	0.3
SUTRC MTG	C-SUTRS	4/77	299	20.00	1.0	0.05	6.75	197.0	0.0	0.0
UNITED RLY	A-URTW	12/79	3610	20.00	1.0	0.25	8.25	145.5	31.6	0.9
WELLS FARGO	C-WELLW	7/77	3458	20.00	0.5	0.04	8.88	126.1	-69.2	0.1

EXTENDED: Hospital Mortgage Group.
*DEBENTURES USABLE IN LIEU OF CASH.

REITS, THEIR BANKS AND BONDHOLDERS: NEW STUDY FINDS ASSET SWAPS MAY BE NEAR PEAK

Our major new study REITS, Their Banks and Bondholders is now nearing completion and we are able to report that it shows swapping of assets between banks and their REITs may be peaking. If true, this would mean that REITs who've hoped to recapture major portions of their loss reserves through sale of assets to their captive buyers, the banks, cannot count on swaps as heavily as they might have liked. And it may also mean that REITs will have more incentive to deal with private real estate entrepreneurs and investors who are the logical candidates to buy these assets anyway.

Our study finds REITs have now completed over \$1 billion in swaps, with banks so far paying a 6% premium over REIT carrying value. A total 26 trusts have completed swaps to date and another eight have swap programs starting to offer assets to lending banks. One table from the study is reproduced on Page 8; we believe it is the most complete tabulation of trusts participating in swap programs to date.

Of interest is our finding in this table that trusts have reaped about \$175 million extraordinary gains on these swaps, consisting of the \$64 million premium over REIT carrying value paid to date by banks, and recovery of about \$111 million loss reserves no longer needed because the assets are gone from trust portfolios. The total recoveries and gains are about 8% of the industry's estimated \$2.1 billion accumulated loss reserves. Thus swaps completed to date have achieved their early purposes of relieving liquidity pressures inside REITs and repairing some of the damage done by heavy loss reserve provisions in 1975 and 1976.

But our survey finds that the swap programs may not have as much momentum behind them as they did earlier, owing partly to bank reluctance to swap and a belief that general real estate and economic recovery will cure some REIT problems. Thus Cousins Mortgage & Equity Investments lists \$159½ million assets available for swapping but expects only about \$20 million more to be completed, unless banks can be persuaded to accept more land in swaps. Great American Management & Investments has suspended its swap program while it tries to complete a major debt restructuring involving exchange of preferred shares for its three subordinated debenture issues. C.I. Mortgage Group is re-thinking its swap program which brought initial bids of about \$78 million out of a total \$280 million offered. Only about \$40.2 million of these swaps will be completed; remaining loans were either repaid or the assets withdrawn. Initial bidding required heavy cash payments by banks; this enhanced liquidity but the trust now feels it may want to lower the cash requirement to induce more banks to swap. Guardian Mortgage Investors has now completed the bulk of \$140 million swaps, shown as pending in the table, and additional swaps will come more slowly. Chase Manhattan Mortgage & Realty Trust hopes to swap out another \$200 million or so of assets, but this is part of an overall restructuring plan requiring many other pieces to fall into place. The net result is that the great rush in dollar volume of swaps may be behind; swaps aren't going to vanish but neither will they solve all the REIT problems with banks and bondholders.

And that's what our study is all about: assessing the major issues confronting REIT banks and bondholders, and drawing some conclusions as to the likely course of events. Such questions as the mix of property being swapped to banks, and the accounting treatment of the swap programs, are discussed. Financing sources for all major trusts are detailed, and line banks for all major trusts with revolving credit or other agreements are listed so private real estate entrepreneurs and investors may try to find individual assets of interest and potential. And the question of whether REITs should pledge assets to banks is explored. This research project has been much more complex and time-consuming than we'd expected, but will go to the printer in the next few days. You may still order copies at our pre-publication price of \$150 if your check or order arrives by New Year's Eve; after that the report will be \$225 per copy.

REIT ASSET SWAP PROGRAMS - Mil. \$

Trust	----Completed Swaps-----			---Pending-----		Swaps Offered	Total Swaps
	Price	REIT Val.	Gain	Price	REIT Val.		
Alison Mtg.....	\$17.1	\$ 15.8	\$ 1.31	--	--	--	\$ 15.8
Amer. Century..	--	--	--	\$12.1	\$11.7	--	11.7
Atico Mtg. Inv.	3.9	3.7	0.38	10.6	E10.6	\$71.7R	86.0
Barnett Mtg....	139.7	134.2	27.13	--	--	--	134.2
Barnett-Winst..	4.9	4.9	0.57	--	--	E10.0	E14.9
Builders Inv...	137.1	126.6	10.48	55.2	36.7	E100.0	E263.3
Capital Mtg....	6.7a	4.8	2.81	--	--	--	4.8
Chase Man.Tr...	113.6	102.2	20.79	--	--	E200.0	E302.2
C.I. Mtg. Gr...	--	--	--	40.2	E40.2	109.8R	150.0
Cit. & So. Rlty..	--	--	--	--	--	250.0	250.0
Citizens Mtg...	14.1	12.5	1.61	--	--	E15.0	E 27.5
Cont. Mtg. Inv..	153.6	146.0	12.81	--	--	--	146.0
Cousins Mtg....	101.5	102.9	14.58	--	--	159.5	262.4
Diversified MI.	46.0	43.5	2.53	--	--	--	43.5
First Mtg. Inv..	64.1	61.9	16.89	--	--	E 25.0	E 86.9
First Wisconsin	3.7	2.0	E 1.70	--	--	--	2.0
Great Amer.....	122.5	111.3	46.09	--	--	--	111.3
Guardian Mtg...	15.1	15.1	1.34	140.0	E140.0	--	155.1
HNC Mtg. & Rl....	--	--	--	--	--	58.2	58.2
Hamilton Inv...	7.2	7.2	0.00	--	--	--	7.2
Heitman Mtg....	31.1	30.3	0.83	--	--	100.0	130.3
IDS Realty.....	--	--	--	--	--	E100.0	E100.0
Independence...	3.5	3.5	1.37	--	--	--	3.5
Institutional Inv.	10.5	10.5	NR	--	--	--	10.5
Justice Mtg. Inv.	9.7a	9.3	1.41	--	--	--	9.3
LMI Investors...	--	--	--	--	--	E100.0	E100.0
Midland Mtg.....	--	--	--	22.5	E22.5	37.1R	59.6
NJB Prime Inv...	22.2	20.8	E1.40	--	--	--	20.8
National Mtg...	27.3	25.5	1.85	--	--	--	25.5
Republic Mtg...	8.9	6.1	2.81	--	--	--	6.1
TMC Mtg. Inv...	26.5	25.2	3.26	--	--	--	25.2
Texas First....	7.6	E7.0	E1.20	--	--	E8.0	E15.0
Tri-South Mtg...	--	--	--	44.7	39.3	110.7R	150.0
U.S. Realty Inv.	5.1	5.1	0.00	--	--	--	5.1
TOTALS.	\$1,102.2M	\$1,037.9M	\$175.15	\$325.3	\$301.0	\$1,455.0	\$2,793.9M

E-Estimated. R-Residual from amount offered. NR-Not reported publicly.

Based on REIT carrying value (funded amounts).

Note: Extraordinary gains on swaps are calculated independently and thus will not equal the difference between exchange price and REIT carrying value.

a-Swaps partially involving subordinated debt issues.

REALTY TRUST REVIEW INDEX FOR 1976

(This index contains all references to individual trusts in REALTY TRUST REVIEW during 1976.
Basic reviews are shown as "R". See RELATIVE APPEAL RANKINGS for latest reference.)

--A--
API Trust (formerly Arlen Property)..... Jan. 30
May 28, June 11, June 25, Aug. 13
Alison Mortgage Investment Trust..... Feb. 13R
Feb. 27, Apr. 9, Apr. 23, July 23, Sept. 24,
Oct. 8, Oct. 22, Nov. 12, Nov. 26, Dec. 24
American Century Mortgage Investors..... Feb. 27
Dec. 24
American Fletcher Mortgage Investors..... Mar. 12
American Realty Trust..... Nov. 12
Associated Mortgage Investors..... May 14
Atico Mortgage Investors..... Oct. 22, Dec. 24
Atlanta National RET..... Feb. 13

--B-- --B--
BRT Realty Trust..... Feb. 27
BT Mortgage Investors..... Feb. 13R
May 14, July 23, Sept. 10, Oct. 22, Nov. 12
Baird & Warner Mtg. & Rlty. Inv. Aug. 13, Sept. 24
BankAmerica Realty Investors..... Jan. 16R
Feb. 27, Aug. 13, Sept. 10, Oct. 8, Nov. 12
Barnett Mortgage Trust..... Feb. 13
Feb. 27, Mar. 12R, Apr. 9, July 23, Sept. 10
Nov. 12, Dec. 24
Barnett-Winston Investment Trust..... Dec. 24
Builders Investment Group..... Jan. 30
Mar. 12, Nov. 12, Dec. 24

--C--
C.I. Mortgage Group..... Mar. 12, Dec. 24
C.I. Realty Investors..... Mar. 26,
July 23, Sept. 10, Oct. 8R, Nov. 12, Nov. 26,
Dec. 10
Cabot, Cabot & Forbes Land Trust..... Apr. 9R
May 14, Sept. 10, Oct. 8, Oct. 22
Cameron-Brown Investment Group..... Feb. 27
Capital Mortgage Investments..... Feb. 27, Dec. 24
Chase Manhattan Mortgage & Realty Trust... Feb. 13
Mar. 12R, May 14, June 25, July 23, Sept. 10,
Oct. 8, Oct. 22, Nov. 12, Dec. 24
Citizens & Southern Realty Investors..... Feb. 13
Mar. 12R, May 14, June 25, July 23, Sept. 10,
Oct. 22, Nov. 12, Dec. 24
Citizens Growth Properties..... Mar. 26
Citizens Mortgage Investment Trust..... Feb. 13R
Feb. 27, July 23, Oct. 22, Dec. 24
Colwell Mortgage Investors..... Feb. 13R
Aug. 27, Sept. 10, Oct. 22, Nov. 26
Connecticut General Mortgage & Realty
Investments..... Feb. 27
July 9R, Aug. 13, Sept. 10, Nov. 12
Consolidated Capital Realty Investors..... May 14R
May 28, July 23
Continental Illinois Properties..... Jan. 16R
Jan. 30, Aug. 13, Aug. 27, Sept. 10, Oct. 8,
Nov. 12, Nov. 26
Continental Illinois Realty..... Feb. 13R
July 23, Sept. 10, Oct. 22, Nov. 12
Continental Mortgage Investors..... Mar. 12
Apr. 23, Sept. 10, Oct. 8, Nov. 12, Dec. 24
Cousins Mortgage & Equity Investments..... Jan. 16
Feb. 13, Mar. 12R, Oct. 22, Dec. 10, Dec. 24

--D--
Denver Real Estate Investment Assn..... Jan. 30
Feb. 13, Mar. 26, Aug. 13
Diversified Mortgage Investors..... Feb. 27
Aug. 27, Nov. 12, Dec. 24
Dominion Mortgage & Realty Trust..... Mar. 12
June 25, Oct. 22, Nov. 12

--E--
Equitable Life Mortgage & Realty Inv..... Jan. 30
Feb. 13, Feb. 27, July 9R, Aug. 13, Nov. 26

--F--
Federal Realty Investment Trust..... Jan. 30
Feb. 27, Apr. 9R, May 28, Aug. 13, Sept. 24
Fidelco Growth Investors..... Aug. 27
Fidelity Mortgage Investors..... Nov. 12
First Continental REIT..... June 25
Aug. 13, Sept. 24, Dec. 24
First Mortgage Investors..... Jan. 30
Mar. 12, Apr. 9, Oct. 22, Nov. 12, Dec. 24
First Union Real Estate Investments..... Apr. 9R
Aug. 13, Sept. 24, Oct. 8, Oct. 22, Nov. 26
First Virginia Mtg. & REIT..... Oct. 22, Nov. 12
First Wisconsin Mortgage Inv..... Nov. 12, Dec. 24
Flatley Realty Investors..... Mar. 26
June 24, July 23, Sept. 10, Nov. 12, Nov. 26R,
Dec. 10
Florida Gulf Realty Trust..... May 14R
Aug. 13, Aug. 27
Franklin Realty & Mortgage Trust..... Mar. 26
July 23, Sept. 10, Nov. 12, Dec. 10R
Fraser Mortgage Investments..... Jan. 16
Aug. 13, Nov. 26R, Dec. 10

--G--
General Growth Properties..... Jan. 30
Feb. 27, May 14R, Aug. 13, Sept. 10, Sept. 24,
Oct. 8, Nov. 12, Nov. 26, Dec. 10
Gould Investors Trust..... Feb. 27, May 28
Great American Management & Investment... Jan. 30
Feb. 13, Apr. 9, July 23, Oct. 8, Oct. 22,
Nov. 12, Dec. 24
GREIT Realty Trust..... Mar. 26, Aug. 13
Guardian Mortgage Investors..... Jan. 16
Feb. 13, Mar. 12R, July 23, Sept. 10, Oct. 22,
Nov. 12, Dec. 24
Gulf Mortgage & Realty Investments..... Feb. 13R
Feb. 27, Oct. 22

--H--
HNC Mortgage & Realty Investors..... July 23
Sept. 10, Nov. 12, Dec. 24
Hamilton Inv. Trust..... Aug. 13, Dec. 24
Hanover Square Realty Investors.. Jan. 16, Dec. 10R
Heitman Mortgage Investors..... Mar. 12, Dec. 24
Hospital Mortgage Group..... May 14
June 25, Aug. 13, Oct. 8R
Hotel Investors..... Jan. 30
Aug. 13, Sept. 10, Nov. 12, Dec. 24
Hubbard Real Estate Investments..... Apr. 9R
Apr. 23, Aug. 13, Aug. 27, Nov. 26, Dec. 10

REALTY TRUST REVIEW INDEX FOR 1976 - Page 2

--I--

ICM Realty..... Mar. 26
 May 14, Apr. 9, June 25R, July 23, Oct. 8
 IDS Realty Trust..... Mar. 12
 Mar. 26, Apr. 9, Apr. 23, May 14, Dec. 24
 Independence Mortgage Trust..... Dec. 24
 Institutional Investors Trust..... Feb. 13R
 Mar. 12, Mar. 26, Sept. 10, Oct. 22, Dec. 24
 Investors Realty Trust..... Jan. 16
 Mar. 26, May 14, July 23, Sept. 10, Nov. 12

--J--

JMB Realty Trust..... Aug. 13
 Justice Mortgage Investors..... Feb. 13,
 Mar. 12R, Oct. 22, Dec. 24

--L--

LMI Investors (formerly Larwin Mtg. Inv.). Feb. 13R
 Feb. 27, Mar. 12, Apr. 9, May 14, Oct. 22,
 Nov. 12, Dec. 24
 Lomas & Nettleton Mortgage Investors..... Jan. 16
 Jan. 30, May 14, May 28, Aug. 13, Aug. 27,
 Sept. 10, Sept. 24, Oct. 22, Nov. 12

--M--

M&T Mortgage Investors..... Aug. 13, Oct. 22
 MassMutual Mortgage & Realty Investors.... Jan. 16
 Feb. 27, July 9R, Aug. 13, Sept. 24, Nov. 26
 Midland Mortgage Investors..... Jan. 16
 Feb. 13, Mar. 12R, Oct. 22, Dec. 24
 Miller (Henry S.) Realty Trust..... July 23
 Sept. 10, Nov. 12
 MONY Mortgage Investors..... Feb. 27
 Mar. 26, June 25, July 9R, Aug. 13, Aug. 27,
 Sept. 24, Nov. 26
 Mortgage Growth Investors..... Mar. 26
 Aug. 13, Oct. 8
 Mortgage Investors of Washington..... Oct. 22
 Mortgage Trust of America..... Feb. 13
 July 23, Aug. 27R, Sept. 10, Nov. 12

--N

--N--

NJB Prime Investors..... Apr. 9
 Apr. 23, Oct. 8, Oct. 22, Nov. 12, Dec. 24
 National Mortgage Fund..... Jan. 30
 Feb. 27, Apr. 9, June 25, Oct. 22, Nov. 12,
 Dec. 24
 Nationwide Real Estate Investors..... Feb. 13,
 Feb. 27, Aug. 13, Sept. 10, Nov. 12
 New Plan Realty Trust..... May 28
 June 11R, Aug. 13
 North American Mortgage Investors..... Apr. 23
 May 14, July 23, Aug. 13, Aug. 27, Oct. 22
 Northwestern Financial Investors..... Feb. 27
 Northwestern Mutual Life Mtg. & Rlty. Tr.. Jan. 16
 Apr. 23, July 9R, Aug. 13

--O--

Old Stone Mortgage & Realty Trust..... Mar. 26
 Sept. 10

--P--

PNB Mortgage & Realty Investors..... Jan. 16
 Jan. 30, Aug. 13, Aug. 27, Sept. 10, Nov. 12,
 Dec. 10R

Pacific-Southern Mortgage Trust..... Aug. 13
 Pennsylvania REIT..... May 14R
 Aug. 13, Aug. 27, Sept. 10, Nov. 26, Dec. 10
 Property Capital Trust..... Feb. 27
 Apr. 9R, Aug. 13, Aug. 27

--R--

Real Estate Investment Trust of America... May 14R
 Aug. 13
 Realty & Mortgage Investors of the
 Pacific (RAMPAC)..... Mar. 26
 June 25, Aug. 13, Sept. 24, Dec. 24
 Realty Income Trust..... Apr. 9
 Aug. 13, Sept. 24R, Nov. 26
 Realty ReFund Trust..... Feb. 27
 May 14, May 28, Aug. 13, Aug. 27
 Republic Mortgage Investors..... Jan. 30
 Feb. 27, Apr. 9, Apr. 23, Oct. 22, Dec. 24
 Riviere Realty Trust..... Aug. 13

--S--

San Francisco Real Estate Investors
 (formerly U.S. Leasing Rlty. Inv.).... Mar. 26
 May 28, June 11, June 25, July 23, Aug. 27R,
 Nov. 12, Nov. 26
 Saul (B.F.) Real Estate Investment Trust.. Feb. 13R
 Mar. 26, July 23, Sept. 10, Oct. 8,
 Oct. 22, Nov. 12
 Security Mortgage Investors..... Sept. 10
 Oct. 22, Dec. 10
 State Mutual Investors..... Feb. 13
 June 25, Sept. 10, Oct. 22
 Summit Properties..... Mar. 26
 June 25R, July 23, Sept. 10, Nov. 12
 Sutro Mortgage Investment Trust..... Jan. 16
 Mar. 26, July 23, Aug. 27, Sept. 10, Oct. 8,
 Oct. 22, Nov. 12

--T--

TMC Mortgage Investors..... Feb. 27
 Nov. 12, Dec. 24
 Texas First Mortgage Investors..... Dec. 24
 TIERCO (formerly Gulf South Mtg. Inv.).... Nov. 12
 Tri-South Mortgage Investors..... Feb. 13
 Mar. 12, July 23, Sept. 10, Oct. 22, Nov. 12

--U--

UMET Trust (formerly Unionamerica)..... Mar. 12
 Mar. 26, Dec. 10
 U.S. Realty Investments..... Sept. 24R
 Oct. 8, Dec. 24
 United Realty Trust (formerly Larwin Rlty) Feb. 27
 Apr. 23, July 23, Aug. 13, Aug. 27, Sept. 10,
 Sept. 24R, Oct. 22, Nov. 12, Nov. 26, Dec. 10,
 Dec. 24

--V--

Virginia Real Estate Investment Trust..... Dec. 10R

--W--

Wachovia Realty Investments..... Aug. 13
 Washington Real Estate Investment Trust... Jan. 30
 Feb. 27, May 14R, May 28, Aug. 27, Sept. 10,
 Sept. 24, Nov. 26
 Wells Fargo Mortgage Investors..... Jan. 16
 Feb. 27, Mar. 26, Aug. 13, Aug. 27, Sept. 10,
 Oct. 22, Nov. 12, Nov. 26, Dec. 10R, Dec. 24